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### The credibility of ANAO performance audit

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# **THE CREDIBILITY OF ANAO PERFORMANCE AUDIT**

A thesis submitted in fulfilment of the  
requirements for the award of the degree

**DOCTOR OF PHILOSOPHY**  
**from**  
**UNIVERSITY OF WOLLONGONG**

by  
Margaret J. Wade, BA (Accounting), M. Ec.  
School of Accounting and Finance

**VOLUME I**

August 2008

## **THESIS CERTIFICATION**

### **CERTIFICATION**

I, Margaret Joy Wade, declare that this thesis, submitted in fulfilment of the requirements for the award of Doctor of Philosophy in the Department of Accounting, University of Wollongong, is wholly my own work unless otherwise referenced or acknowledged. The document has not been submitted for qualifications at any other academic institution.

Margaret J. Wade

12 August 2008

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## ACRONYMS AND ABBREVIATIONS

AAO	Australian Audit Office, the name by which the ANAO was known for much of the 1980s.
ACT	Australian Capital Territory. Canberra, which is the capital city of the Commonwealth of Australia and the seat of Australia's federal government, is located in the ACT.
AGO	Auditor-General's Office, one of the names by which the ANAO was known until the early 1980s.
AGPS	Australian Government Publishing Service.
ANAO	Australian National Audit Office, the name by which the ANAO has been known since 1989. This is the term used throughout this thesis to refer to the office that supports the work of the Commonwealth Auditor-General, irrespective of the period in its history under consideration.
APS	Australian Public Service
APS 3, APS 5, APS 6	APS position designations. For the ANAO, these are broadly equivalent (respectively) to trainee, junior and senior auditor positions in private sector audit firms.
ASOSAI	The Asian Organisation of Supreme Audit Institutions.
EAD	Efficiency Audit Division, an administrative division of the ANAO from 1978 to 1984.
EL1, EL2	APS position designations. For the ANAO, these are broadly equivalent (respectively) to team leader and audit manager positions in private sector audit firms.
Finance Minister	The minister responsible for the government department that deals with finance and related matters. Established in 1976, this department has been known as the Department of Finance, the Department of Finance and Administration and, since 2007, the Department of Finance and Deregulation.
FMI Program	Financial Management Improvement Program, a program established by the Hawke Labor Government to develop public sector reform initiatives.

GAAP	Generally Accepted Accounting Principles.
GAO	The (US) Government Accountability Office (formerly the Government Accounting Office).
House	House of Representatives.
INTOSAI	The International Organisation of Supreme Audit Institutions.
JCPA	Joint Committee of Public Accounts, the name by which the PAC was known from 1952 to 1997.
JCPAA	Joint Committee of Public Accounts and Audit, the name by which the PAC has been known since 1997.
MAB-MIAC	The Management Improvement Advisory Committee of the Management Advisory Board.
MRI audit	Refers to an audit of magnetic resonance imaging services, reported in 2002.
NAO	The (UK) National Audit Office.
NPM	New Public Management.
OASITO	Office of Asset Sales and IT Outsourcing.
PAC	Public Accounts Committee, a term used generically throughout this study to refer to the Joint Committee of Public Accounts (JCPA) and the Joint Committee of Public Accounts and Audit (JCPAA).
RCAGA	The Royal Commission on Australian Government Administration.
SAI	Supreme audit institution.
SEC	The (US) Securities and Exchange Commission.
SES	Senior Executive Service.
VFM audit	Value for money audit.
WPOEA	Working Party of Officials on Efficiency Audit.

## **ABSTRACT**

With more than thirty years' experience in performance audit, the Australian National Audit Office (ANAO) is recognised, worldwide, as a leading exponent of this relatively new state audit practice. Using archival and empirical sources, this thesis examines the credibility of the ANAO's performance audit function at both a macro, institutional level and at the level of micro practice. Credibility, as defined in this thesis, is a relative construct that consists of three elements: auditor independence, technical competence and audit usefulness. The thesis demonstrates that while ANAO performance audit possesses a high degree of credibility at the macro, institutional level, its micro-level credibility remains problematic. At this level there are numerous challenges to its credibility, including the mobility of employment opportunity between the ANAO and its auditee agencies, the ability of auditee staff to delay, manipulate and otherwise frustrate the evidence-gathering process, and varying perceptions of its usefulness. Also challenging for performance audit credibility is the lack of a clearly-defined knowledge base and professional identity for performance audit. This creates problems for staff recruitment, training and development, and undermines the capacity of the ANAO's performance auditors to withstand external pressure. The major conclusion of this thesis is that, if ANAO performance audit is indeed a form of auditing and not a misnomer as Barzelay (1997) suggests, then there are aspects of its credibility, as assessed against the criteria of auditor independence, technical competence and audit usefulness, that require attention.

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